

**MINUTES**  
**Highway Expansion and Extension Loan Program**  
**Advisory Committee Meeting**  
**August 17, 2000**

**Committee Members Present:**

Mary Peters  
Cliff Potts  
Bruce Hilby  
Gary Magrino

Jeff Martin  
Tami Ryall  
Paul Schwartz

**Members Absent:**      None

**Others Present:**

John McGee, ADOT Chief Financial Officer  
Shawn Dralle, ADOT  
Bob Miller, ADOT

Anna-Marie Perry, ADOT  
Steve Schaefer

**Call to Order**

The meeting was called to order by Chair Mary Peters at 11:15 a.m. A quorum was present.

**Adoption of the Minutes of the March 7, 2000 Study Session, March 7, 2000 Regular meeting, June 27, 2000 Regular meeting and June 30, 2000 Regular meeting:**

Ms. Peters called for approval of the minutes of the March 7, 2000 Study Session, March 7, 2000 Regular meeting, June 27, 2000 Regular meeting and June 30, 2000 Regular meeting. A motion for approval was made and seconded. Motion carried unanimously.

**Staff Report**

Ms. Dralle introduced Steve Schaefer, explaining that he has recently agreed to join ADOT and assist with the HELP Program. She said that Mr. Schaefer worked on the Mainstreet program at the Department of Commerce for the past 10 years. She stated that, because of his experience with rural communities in the state, his focus would be on outreach to those communities.

Ms. Dralle reviewed the HELP Fund Cash and Loan Status Reports for June included in the Members' packets. She noted that the July reports were also given to members as a separate handout. She stated that the July reports included the first draw for the Mesa loan. She said that the right-of-way money from the \$100 million Board Funding Obligation continues to be expended. She stated that they have outstanding loans totaling \$170 million, noting that this is one of the highest amounts of outstanding loans in the country.

Ms. Peters asked for a breakdown outlining percentages for PAG, MAG and the other 13 counties. Ms. Dralle stated that she has that information and will bring it to the next meeting.

Ms. Dralle stated that quarterly project updates are required from the borrowers as part of the loan agreements. She explained that this allows ADOT to track where the projects are and referred to a spreadsheet detailing where the projects stand. She noted that the contract for the City of Mesa was awarded in May and the first construction draw occurred in July. She stated the Chandler loan will hit its maximum after this month and should be repaid by the end of this calendar year. She reported that approximately \$50 million of the \$100 million Board Funding Obligation has been spent and she expects the second \$50 million to be expended by February 2001. She said that the Chino Valley project is expected to begin construction in January, noting that their first interest payment is coming up on January 1, 2001.

Mr. Miller explained that the multi-project applications, submitted earlier this year for Pima County and the other 13 counties design and right-of-way, have selected consultants and are in the process of negotiations.

Ms. Dralle noted that the Advisory Committee approved the Sierra Vista loan at the last meeting and that the State Transportation Board approved the loan at their meeting in Douglas. She said that the project is on schedule and that she expects the entire \$1.9 million to be drawn down in September. She stated that they would begin paying the loan back on a quarterly basis after the first of the year.

### **Tucson Barraza-Aviation Project**

Ms. Dralle said that Tucson submitted their Barraza-Aviation Parkway application for \$10.3 million in November. She explained that the project is controversial and that Tucson has formed a Citizen's Advisory Committee to determine how they should proceed. She said that in April she requested a written update from the City. She stated that the City reported the project has grown in scope and that they are still studying it. She said that at this point the City has recognized that the loan amount needs to be approximately \$14 million and they would like to extend the payback of the loan from five years to ten years. She met with the HELP Technical Committee to review the loan and, while they recognized the project scope has changed, they had concerns about the increased loan amount and the length of repayment. She said that they also wanted detailed information justifying the increase, outlining the specific timing and indicating where the city stands in their negotiations with the railroad. Technical Committee recommended an amended application explaining the increase in cost and new details of the project, providing more detail on the timeline and when they expect the draws to occur. She said that the Technical Committee strongly recommends that, while there is some flexibility in a longer payback period for any additional amount, the original \$10 million should stay at a five year payback. She explained that the Technical Committee is not comfortable extending a payback past five years, except in certain circumstances and for smaller dollar amounts. She said that they were even uncomfortable going to a 10 year payback for the additional \$4 million.

Ms. Dralle said that the repayment schedule they submitted showed a repayment of \$2 million per year. She noted that the original application had 12.6 percent monies repaying the bulk of the loan in \$5 million blocks in years four and five. She said that the Technical Committee would also like additional detail on what happened to those \$5 million blocks of money Tucson had originally set aside. She said that she would not have a concern about a longer payout for lesser amounts of money, however, the Technical Committee believes that the original intent of the program was to recycle and revolve funds as quickly as possible.

It was pointed out that there are restrictions on the terms of the loans that require that certain monies be paid back within five years. Mr. Hilby stated that it was his understanding that any money the state legislature controls could not have a term longer than five years. Ms. Dralle explained that it would be five years from the end of construction. Ms. Ryall stated that the program was created to accelerate projects, not to create a new revenue source. Ms. Peters stated that she hesitates saying no to a longer term and said that she would like to see the City's reasoning and the effect it would have on cash flow. Mr. Schwartz said that the explanation for the additional money should be given in as much detail as the original project. Ms. Dralle said that that was the Technical Committee's opinion also. Mr. Schwartz stated that the \$4 million would have to meet the criteria previously set. Mr. Hilby expressed his opinion that the Committee should not set restrictions on the payback at this point and that an amended application should stand on its own merits.

Ms. Dralle summarized that the Advisory Committee recommends leaving out the repayment term, but asking for additional detail on the scope of the project and timing as well as why the increase is necessary. She said that she would provide the City of Tucson with this information both verbally and in a letter so that they are aware of where the Committee stands.

The Committee agreed that they should have an open mind about the repayment term until information is received from the City. Mr. Hilby expressed his opinion that if the law is constraining them from accomplishing the true goals of the program, it would be appropriate to suggest that the legislature change the law.

### **City of Phoenix SR-51 Project**

Ms. Dralle reported on the City of Phoenix's outstanding application for completing the Squaw Peak Parkway west of S.R. 51. She said that they have a draft IGA with the City that lays out the terms of the completion of the project as well as the loan amount and interest rate. She stated that there are still minor negotiations taking place. She said that the first draw on that loan is not expected until September of next year, therefore, the City does not have any real pressure to sign the agreement before October. She stated that the loan fits within the cash flow and is an important project regionally. She stated that she expects to meet with the City and MAG within the next few weeks for final agreement on the IGA and would bring it to the Committee for review at the October meeting.

Ms. Dralle explained that this project is outside of MAG's original \$300 million allocation, however, the entire pie has increased to approximately \$650 million due to additional interest earnings. She raised the issue as to whether that additional capacity should be proportionately split or is outside of the 50-25-25 split.

Ms. Peters agreed that they would have to deal with that issue and suggested they review the statute and ask the Committee's attorney to provide their interpretation. Ms. Dralle stated that the Advisory Committee would have to take the lead, whether legislatively or in policy, on how some items in the statute are interpreted. Ms. Peters suggested that these issues be discussed during a study session. She said that they are dealing with a very different fund than they had when they were originally appointed to the HELP Advisory Committee.

She said that they need to look at the policies and what the Committee has adopted to determine if they are still doing what they were originally expected to do given the changes that have occurred.

Mr. Hilby recommended that they should make an effort to resolve these issues, however, if within one or two years of the deadline it appears that the original split requirements do not work, they go back to the legislature. He explained that those hard-and-fast percentages could ultimately result in loans not being made. Ms. Peters expressed her opinion that the legislature and Board would look to them for advice on how to interpret these issues. Mr. Hilby stated that they are receiving requests that are outside the current boundaries of the program and suggested that they should be allowed to at least consider those requests. Another member pointed out that the \$50 million increase is a number that will change over time. Mr. Hilby stated that if other areas of the state are affected by the resource allocation change, the money, and the ability to spread it out over a longer period of time, may become more important. Ms. Peters agreed.

Mr. Hilby suggested they also discuss the implications of a Highway Project Advancement Fund at a study session.

Mr. Martin stated that he does not necessarily disagree that if a certain area want to tie up all of their money, that it is their business. He suggested, however, that the Committee should require a community or region to provide good justification for a 10 year loan.

Mr. McGee explained that the maximum amount of money the HELP fund will ever have in it at any given time is approximately \$230 million and that they end up with \$600 million in capitalization because those funds are recycled. He said that 10-year loans could have an impact on other areas because they would not have the turnover in the funds necessary to generate the \$600 million.

Mr. Martin expressed his opinion that they have to balance this issue and that they have a fiduciary responsibility to the fund to not string the money out unless there is good justification.

Ms. Dralle stated that they expect another statewide application to come in and are looking at acting on it in November.

Ms. Peters stated that she has asked ADOT staff to look at protecting right-of-way access. She explained that they are seeing growth overtake their ability to preserve corridors and rights-of-way.

Ms. Dralle stated that the City of Willcox is interested in participating in a HELP loan for an interchange at Fort Grant and I-10.

Ms. Dralle also said that the Town of Marana is interested in participating in the program with regard to two new interchanges they would like to see on I-10.

Ms. Dralle stated that ADOT has a session immediately following the Governor's lunch at the Governor's Rural Development Conference on September 7 and HELP will be one of the sessions included in ADOT's session.

She stated that on Monday, August 21, HELP staff will participate in the Transportation Research Board's Transportation Financing Conference in Scottsdale. She said that she is on a panel that will discuss the HELP program.

Mr. McGee pointed out that Arizona's program has accomplished a lot in a very short period of time and is viewed as a premiere state infrastructure bank. He stated that everyone involved in the program has done a good job and should be congratulated.

## **Other**

Future Committee meetings will be held October 3, November 7 and December 5, 2000 at 1:00 p.m.

It was pointed out that Mr. Potts, Ms. Ryall and Mr. Hilby would be leaving the committee and it was asked if anything was being done to fill their seats. Ms. Dralle pointed out that the Governor appoints Mr. Potts' seat, the Speaker of the House appoints Ms. Ryall's seat and the President of the Senate appoints Mr. Hilby's seat. Ms. Dralle stated that the members have the ability to keep serving until the new members have been appointed. Ms. Peters suggested she speak with the appointer's to let them know what the Committee intends to do. She said she would get back to the Committee as soon as possible.

Ms. Peters asked that additional time be allocated at the October meeting to accommodate both a study session and Committee meeting. Ms. Dralle stated she would agenda the meeting similar to the last study session.

It was suggested that the Committee meet in Tucson and that some of the people Ms. Dralle works with be invited to share their perspective on how things are working. Ms. Dralle stated that she would look into having a Committee meeting in Tucson, noting, however, that they also have video conferencing capabilities. It was noted that the public is given notice of the meetings and that the meeting dates are published on the website. Ms. Dralle noted that the minutes and agenda are also included on the website.

Meeting Adjourned at 12:50 p.m.